

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3579-01
BILL NO.: HB 1380
SUBJECT: Taxation and Revenue - Property: Motor Vehicles
TYPE: Original
DATE: January 31, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(Unknown)	(Unknown)
Blind Pension	\$0	(\$800,000)	(\$850,000)
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	(\$800,000)	(\$850,000)

*Does not include costs to fully fund Foundation Formula.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government*	\$0	(Unknown to \$156,800,000)	(Unknown to \$166,150,000)

*Does not include losses of about \$400,000 to the County Employees Retirement Fund, which is not considered to be a government fund.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Tax Commission** stated the proposal would not affect their agency, administratively. They noted that most assessments of motor vehicles (historic motor vehicles being the main exception) are assessed at “blue book” or traditional trade-in value and that, in the absence of a “blue book value many assessors already use bill-of-sale as one of the factors in determining an assessed value.

Oversight, assuming this to be true and noting that personal property taxes on motor vehicles were about \$441 million in 1998, estimates that the loss would have been about 30% of that amount in 1998. Assuming that personal property tax collections continued increasing by 6% per year that loss would be about \$157,500,000 in 2001 (FY 2002) and \$167,000,000 in 2002 (FY 2003). Assuming an average overall tax rate of \$5.90, including the Blind Pension Fund tax, losses would be \$156,700,000 to political subdivisions and \$800,000 to the Blind Pension Fund in FY 2002; and \$166,150,000 to political subdivisions and \$850,000 to the Blind Pension Fund in FY 2003.

The requirement that assessors not increase the assessed value of any personal property without first physically inspecting that personal property would represent a new duty for assessors. Costs to carry out the duty would vary from county to county and year to year.

Oversight notes that political subdivisions which are taxing at a rate lower than their tax rate ceilings could raise tax rates to make up for the loss or part of the loss of income due to reduced assessments. Subdivisions which are taxing at or above their tax rate ceilings could not do so.

Reduced assessments would also increase the cost to fully fund the public school Foundation Formula. School districts which are “on the formula” would recoup losses of personal property taxes through increased distributions. “Hold harmless” districts would not recoup any of their tax losses.

Officials of the **County Employees Retirement Fund** noted that penalties assessed on entities which return their personal property lists to County Assessors after the deadline (1 March) and some penalties on delinquent personal property tax are deposited in the Fund. They estimate that this proposal would cause a loss of about \$400,000 to that fund beginning in FY 2001. They note that if the income were not replaced the long term impact of the proposal would be to reduce pensions 3% to 5%.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Cost</u> - Foundation Formula	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

BLIND PENSION FUND

<u>Loss</u> - Reduced Personal Property Taxes	\$0	(\$800,000)	(\$850,000)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(\$800,000)</u>	<u>(\$850,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

<u>Loss</u> - Reduced Property Taxes	\$0	(\$0 to \$156,800,000)	(\$0 to \$166,150,000)
<u>Cost</u> - Assessors' Physical Inspections	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS*	<u>\$0</u>	<u>(Unknown to \$156,800,000)</u>	<u>(Unknown to \$166,150,000)</u>

***Does not include losses of about \$400,000 per year to the County Employees Retirement Fund, which is not considered a government fund.**

FISCAL IMPACT - Small Business

Small businesses could benefit from reduced assessments. In areas which raised property tax rates, small businesses would be affected by increases.

DESCRIPTION

This proposal would: 1) allow the use of the original bill of sale as a factor to determine value for the assessment of motor vehicles when the vehicles are not listed in the "blue book"; 2) require assessors to assess motor vehicles at seventy percent (70%) of their "blue book" value; and 3) require assessors to make a physical inspection of personal property before increasing its assessed value more than five percent (5%).

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DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenue.

SOURCES OF INFORMATION

County Employees Retirement Fund
State Tax Commission
St. Louis City Auditor

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
January 31, 2000